

Endowment Fund Investment Board

Analyst: Houston

Historical Summary

OPERATING BUDGET	FY 2007 Total App	FY 2007 Actual	FY 2008 Approp	FY 2009 Request	FY 2009 Gov Rec
BY FUND CATEGORY					
Dedicated	627,800	573,700	639,400	616,600	631,000
Percent Change:		(8.6%)	11.5%	(3.6%)	(1.3%)
BY OBJECT OF EXPENDITURE					
Personnel Costs	374,800	358,600	393,400	407,300	421,700
Operating Expenditures	242,600	200,700	240,000	201,300	201,300
Capital Outlay	10,400	14,400	6,000	8,000	8,000
Total:	627,800	573,700	639,400	616,600	631,000
Full-Time Positions (FTP)	4.00	4.00	4.00	4.00	4.00

Division Description

The Endowment Fund Investment Board (EFIB) is responsible for managing the investments of the endowment funds (§57-721), the State Insurance Fund (§72-912), and the Judges' Retirement Fund (§1-2008).

The State Legislature created the Endowment Fund Investment Board in 1969 (Idaho Code §57-718), after the passage of a constitutional amendment in 1968. Before that, the State Treasurer had been responsible for the management of the state's endowment assets. The Department of Finance took over investment responsibilities for two years until the EFIB's first manager was hired and the office opened July 1, 1971.

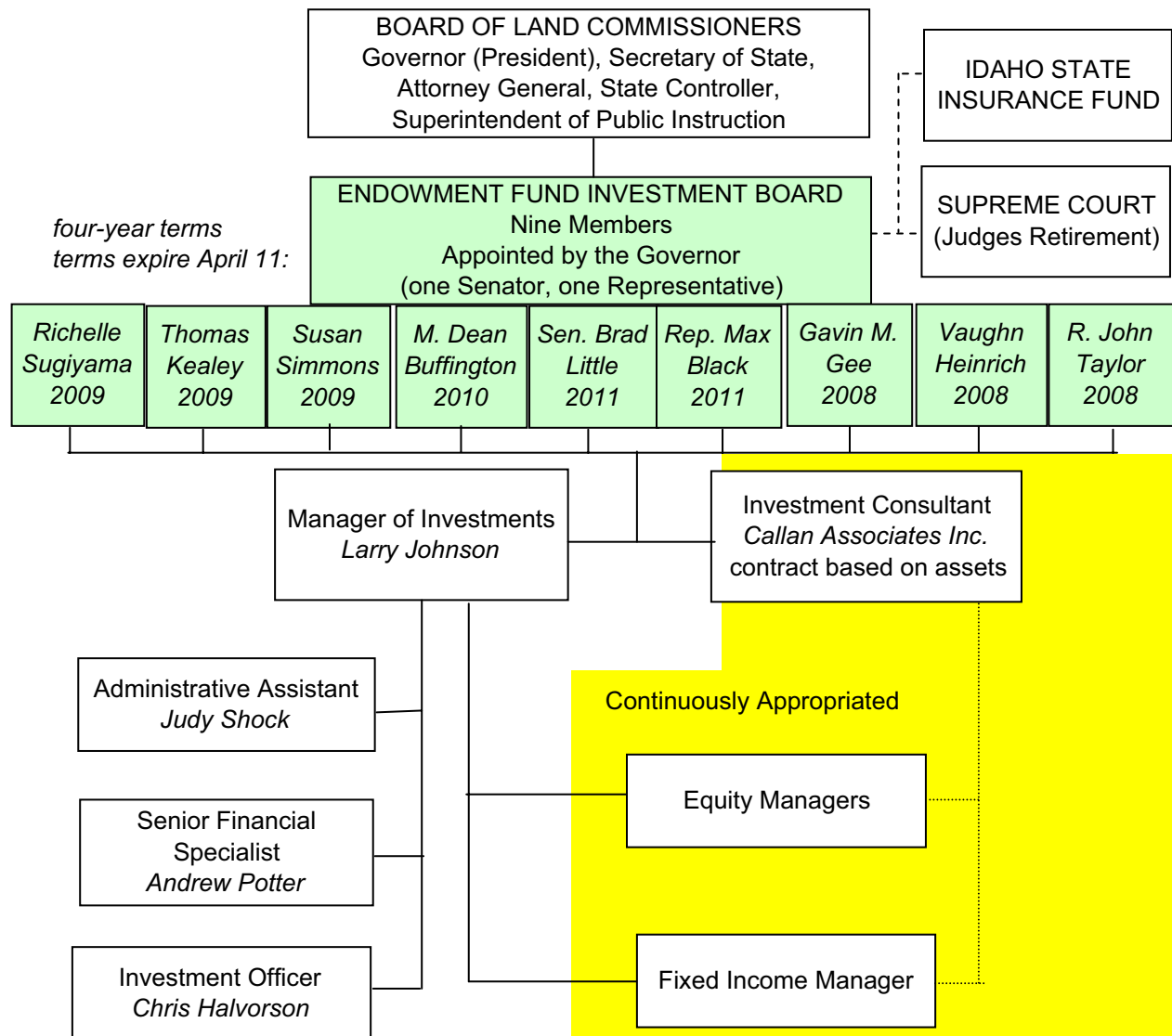
The 1998 Legislature approved four pieces of legislation (HJM 9, HJR 6, HJR 8, and HB 643aa) that began the latest round of "Endowment Reform". 1) HJM 9 requested that Congress allow proceeds from the sale of public school endowment lands to be deposited into a land bank to be used to purchase other lands. Congress later approved the memorial. 2) HJR 6 proposed amendments to the state constitution to change the word "disposal" to "sale" and to allow a land bank. Voters approved the constitutional amendment but the Supreme Court later invalidated the amendment, ruling that the amendment contained two questions and was not put properly before the people. The land board resubmitted the constitutional amendment regarding the land bank as HJR 1 in 2000 and the electorate approved the amendment in November of 2000. 3) HJR 8 proposed amendments to the State Constitution to allow the permanent fund to be invested rather than loaned, to create an earnings reserve, and to allow for payment of administrative costs from the earnings reserve. Voters approved that constitutional amendment in November of 1998. 4) HB 643aa of 1998 set up the distribution mechanisms necessary for the permanent funds, the earnings reserve and the income funds. The bill moved the Endowment Fund Investment Board from the Governor's Office to the Land Board effective July 1, 2000. Therefore, actual expenditures before FY 2001 are shown in the Executive Office of the Governor. The legislation also set up a land bank, and changed the makeup of the Board. The makeup of the nine member Board changed to remove the Superintendent of Public Instruction and the Director of the Department of Finance and replaced them with two "public members from the citizenry at large who are knowledgeable and experienced in financial matters and the placement or management of investment assets" (§57-718). SB 1107 of 1999 changed the effective date of certain sections of HB 643aa to allow investment in equities effective February 15, 1999.

Furthermore, HB 690aa of 1998 established the Capitol Commission and the Capitol Endowment from the former Public Building Endowment. The legislation became effective on July 1, 1998 creating a potential conflict with HB643aa which became effective July 1, 2000. However, during the 2000 session, the Legislature resolved that conflict by repealing the Public Building Endowment.

Endowment Fund Investment Board

Agency Profile

Analyst: Houston



Fund Sources

	FY 2007 Expenditures	Percent of Total	FY 2007 Orig. Approp.	FY 2008 Request
1. Miscellaneous Revenue Fund (0349-00)	175,300	30.6%	125,400	134,200
The Endowment Fund Investment Board invests certain balances of the State Insurance Fund. The appropriation is adjusted annually to insure that earnings pay for the administrative costs of managing the Judges' Retirement and State Insurance Fund's portion of the Board's portfolio based on the proportional amount of time spent managing those funds.				
2. Endow Earnings Reserve Admin (0482-70)	398,400	69.4%	514,000	482,400
Amendments to the Idaho State Constitution, effective July 1, 2000, allowed the legislature to appropriate administrative costs from the endowment earnings. The Legislature provides a fixed appropriation for the salaries and operating costs of the staff and a continuous appropriation for external investment costs. The EFIB bills the Capitol Commission and those costs are recorded under miscellaneous revenue.				
Total	\$ 573,700	100.0%	\$ 639,400	\$ 616,600

Actual FY 2007 external investment costs paid through the continuous appropriation were \$3,861,545.

Endowment Fund Investment Board

Agency Profile

Analyst: Houston

Profile of Key Services Provided

Millions of Dollars	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
End of Year Market Values						
1. Public School Permanent Endowment	\$441.5	\$436.2	\$500.6	\$537.2	\$581.9	\$662.5
2. Public School Earnings Reserve Fund	2.8	4.5	15.5	31.5	59.1	97.7
3. Pooled Endowments Permanent Funds	201.5	199.4	227.6	243.5	262.9	298.0
4. Pooled Endowments Earnings Reserves	18.0	14.8	17.7	22.4	32.4	62.1
5. Capitol Endowment	3.3	3.3	6.2	8.3	13.6	17.7
6. Subtotal Endowments	\$667.1	\$658.2	\$767.7	\$842.8	\$949.8	\$1,138.0
7. State Insurance Fund	290.1	311.8	357.8	413.4	472.9	555.8
8. Judges' Retirement Fund	46.9	46.8	51.2	53.7	57.3	65.1
9. Total Funds under Management	\$1,004.1	\$1,016.8	\$1,176.7	\$1,309.9	\$1,480.0	\$1,758.8

Endowment Funds - From Accrual-Based Annual Audits

Public Schools Permanent Fund

10. Beginning Value July 1 Restated	\$511.7	\$441.5	\$436.2	\$500.6	\$537.2	\$581.9
11. Lands Contributions	1.4	2.2	.8	1.6	1.8	3.4
12. Change in Market Value	(71.5)	(7.6)	63.6	35.0	43.0	77.2
13. Public School Permanent Fund Balance	\$441.5	\$436.2	\$500.6	\$537.2	\$581.9	\$662.5
14. Change in Market Value/Beginning Value	-14.0%	-1.7%	14.6%	7.0%	8.0%	13.3%

Public Schools Earnings Reserve Fund

15. Beginning Value July 1 Restated	\$16.2	\$2.8	\$4.5	\$15.5	\$31.5	\$59.1
16. Lands Contributions (incl tranfers in)	37.4	33.7	46.0	37.9	44.6	47.9
17. Change in Market Value	(4.8)	6.7	2.0	2.1	4.4	11.4
18. Income from Investments	13.2	10.4	11.6	13.6	15.4	19.4
19. Lands Expenses	(8.8)	(9.7)	(8.9)	(12.2)	(11.1)	(12.4)
20. EFIB Expenses	(2.8)	(2.2)	(1.9)	(2.4)	(2.6)	(2.9)
21. Distributions to Beneficiaries	(47.7)	(37.1)	(37.8)	(23.0)	(23.1)	(24.6)
22. Ending Public Schools Earnings Reserve	\$2.8	\$4.5	\$15.5	\$31.5	\$59.1	\$97.7

Pooled Endowments Permanent Fund

23. Beginning Value July 1 Restated	\$234.8	\$201.5	\$199.4	\$227.6	\$243.5	\$262.9
24. Lands Contributions	.1	.2	.0	.1	.1	.3
25. Change in Market Value	(33.4)	(2.3)	28.2	15.8	19.4	34.8
26. Pooled Permanent Fund Balances	\$201.5	\$199.4	\$227.6	\$243.5	\$262.9	\$298.0

Pooled Endowments Earnings Reserve Fund

27. Beginning Value July 1 Restated	\$24.9	\$18.0	\$14.8	\$17.7	\$22.4	\$32.4
28. Contribution from General Fund					\$4.6	
29. Lands Contributions (incl. tranfers in)	17.6	15.4	17.0	16.6	18.3	30.6
30. Change in Market Value	(3.1)	2.1	2.9	1.7	2.4	7.2
31. Income from Investments	6.1	4.9	5.5	6.4	7.2	9.0
32. Lands Expenses	(4.2)	(4.6)	(4.2)	(4.5)	(4.1)	(4.7)
33. EFIB Expenses	(1.3)	(1.1)	(.9)	(1.1)	(1.2)	(1.3)
34. Distributions to Beneficiaries	(22.0)	(19.9)	(17.4)	(14.4)	(17.3)	(11.2)
35. Ending Pooled Earnings Reserves Fund	\$18.0	\$14.8	\$17.7	\$22.4	\$32.4	\$62.1
36. Investment Return Before Fees	-8.2%	1.7%	16.8%	9.7%	10.9%	16.6%

Endowment Fund Investment Board

Agency Profile

Analyst: Houston

Endowment Distributions to the Beneficiaries

On August 31, 2007, the Endowment Fund Investment Board (EFIB) submitted their budget request to the Division of Financial Management and the Legislative Services Office. The budget contained the Land Board approved endowment distributions for FY 2009. For public schools, the FY 2009 recommendation is \$2.7 million or 10% more than the FY 2008 appropriation. The pooled endowment distribution is \$1.1 million or 9.4% more than this year.

Fiscal Year	Distributions to Beneficiaries			% Change from previous year			Spending Rule ¹	
	Pooled	Public Schools	Total Pooled & Pub Sch	Pooled	Public Schools	Total Pooled & Pub Sch	Pooled	Public Schools
2009*	12,720,200	29,692,900	42,413,100	9.4%	10.0%	9.8%	5.0%	5.0%
2008*	11,622,000	26,995,000	38,617,000	3.8%	9.5%	7.7%	5.0%	5.0%
2007	11,197,400	24,648,200	35,845,600	(11.5%)	6.8%	0.3%	5.0%	5.0%
2006	12,655,800	23,087,100	35,742,900	(12.3%)	0.6%	(4.4%)	6.0%	5.0%
2005	14,436,910	22,957,800	37,394,710	(16.8%)	(39.2%)	(32.1%)	7.0%	5.0%
2004	17,355,000	37,750,000	55,105,000	(12.9%)	1.9%	(3.3%)	7.5%	7.5%
2003	19,925,000	37,056,500	56,981,500	(9.3%)	(22.3%)	(18.2%)	7.5%	7.5%
2002	21,965,000	47,675,000	69,640,000	5.9%	6.7%	6.4%	8.0%	8.0%
2001	20,750,000	44,700,000	65,450,000	7.9%	4.6%	5.6%	8.5%	8.5%
2000	19,225,283	42,753,811	61,979,094	12.4%	3.4%	6.1%	¹ Post reform distributions are based on a percent to the 3-year moving average of the permanent funds. Penitentiary and School of Science is 4.1% for FY 2008 and FY 2009.	
1999	17,106,900	41,331,115	58,438,015	5.6%	3.2%	3.9%		
1998	16,196,150	40,040,799	56,236,949	2.1%	10.7%	8.1%		
1997	15,859,342	36,159,798	52,019,140	7.6%	15.2%	12.8%		
1996	14,740,394	31,378,096	46,118,490	9.8%	3.1%	5.2%		
1995	13,426,310	30,426,255	43,852,565					

Fiscal Year	Agricultural College	Charitable Institutions ²	Normal School ³	Penitentiary	School of Science	Mental Hospital	University of Idaho	Total Pooled
2009*	794,000	2,826,100	2,534,100	794,000	2,332,300	1,258,700	2,181,000	12,720,200
2008*	725,000	2,582,000	2,310,000	728,000	2,138,000	1,149,000	1,990,000	11,622,000
2007	661,200	2,361,300	2,115,700	809,300	2,375,800	1,051,500	1,822,600	11,197,400
2006	(2,130,000)	(2,470,000)	3,205,600	2,444,800	2,848,500	5,291,400	3,465,500	12,655,800
2005	380,400	1,407,450	2,969,624	1,509,520	3,136,900	1,874,720	3,158,296	14,436,910
2004	960,000	3,430,000	3,195,000	1,215,000	3,785,000	1,660,000	3,110,000	17,355,000
2003	1,139,000	4,070,000	3,695,000	1,358,000	4,254,000	1,905,000	3,504,000	19,925,000
2002	1,280,000	4,673,000	4,068,000	1,566,000	4,709,000	2,024,000	3,645,000	21,965,000
2001	1,127,000	4,502,000	3,788,000	1,521,000	4,479,000	1,845,000	3,488,000	20,750,000
2000	964,277	3,806,215	3,870,068	1,251,157	3,778,442	2,462,520	3,092,604	19,225,283
1999	873,990	3,840,734	3,312,164	1,200,994	3,535,388	1,716,600	2,627,030	17,106,900
1998	888,342	3,395,470	3,158,530	1,122,762	3,096,427	1,944,081	2,590,538	16,196,150
1997	819,356	3,586,560	3,214,554	1,122,666	3,244,258	1,394,933	2,477,015	15,859,342
1996	770,790	3,132,278	2,721,294	1,282,320	2,806,409	1,581,336	2,445,967	14,740,394
1995	722,892	2,850,557	2,441,476	1,148,952	2,506,060	1,408,037	2,348,336	13,426,310

* Estimates

²Charitable Institutions: 4/15 Idaho State University, 4/15 State Juvenile Corrections Center, 4/15 State Hospital North, 5/30 Veterans Home, and 1/30 School for the Deaf and the Blind.

³Normal School: 1/2 to ISU College of Education and 1/2 to Lewis Clark State College.

Note: FY 2001 was the first year after endowment reform. Before that, timber revenues were deposited to the permanent fund and lease and interest revenues were distributed to the beneficiaries. Since reform, interest, lease income, and timber revenues have been put into the earnings reserve and distributions to the beneficiaries have been based on the values of the permanent funds. The FY 2003 Public School payout was short of the 7.5% rule by \$6.25 million. In January of 2005, the EFIB suspended distributions to the Ag College and Charitable Institutions due to negative balances in the Earnings Reserves. The Joint Finance-Appropriations Committee adjusted the FY 2005 and FY 2006 appropriations to keep the overall support as anticipated except for 6-mos FY 2005 reductions to Deaf and Blind (\$46,915) and Veterans Services (\$234,575).

Endowment Fund Investment Board

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2008 Original Appropriation	4.00	0	639,400	4.00	0	639,400
Removal of One-Time Expenditures	0.00	0	(6,000)	0.00	0	(6,000)
Base Adjustments	0.00	0	(12,000)	0.00	0	(12,000)
FY 2009 Base	4.00	0	621,400	4.00	0	621,400
Benefit Costs	0.00	0	10,300	0.00	0	10,300
Inflationary Adjustments	0.00	0	0	0.00	0	0
Replacement Items	0.00	0	8,000	0.00	0	8,000
Statewide Cost Allocation	0.00	0	(26,700)	0.00	0	(26,700)
Change in Employee Compensation	0.00	0	3,600	0.00	0	18,000
FY 2009 Program Maintenance	4.00	0	616,600	4.00	0	631,000
1. Adjust Budget between Funds	0.00	0	0	0.00	0	0
2. Continuous Appropriation	0.00	0	0	0.00	0	0
FY 2009 Total	4.00	0	616,600	4.00	0	631,000
Change from Original Appropriation	0.00	0	(22,800)	0.00	0	(8,400)
% Change from Original Appropriation			(3.6%)			(1.3%)

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2008 Original Appropriation	4.00	0	639,400	0	639,400

Removal of One-Time Expenditures

Remove funding for board room furniture, two computers, and a file cabinet provided in the FY 2008 budget.

Agency Request	0.00	0	(6,000)	0	(6,000)
<i>Governor's Recommendation</i>	0.00	0	(6,000)	0	(6,000)

Base Adjustments

Removes \$2,600 in Miscellaneous Revenue and \$9,400 in Endowment Earnings Reserve Administrative Fund to realign the operating expenditure category budget with estimated needs.

Agency Request	0.00	0	(12,000)	0	(12,000)
<i>Governor's Recommendation</i>	0.00	0	(12,000)	0	(12,000)

FY 2009 Base					
Agency Request	4.00	0	621,400	0	621,400
<i>Governor's Recommendation</i>	4.00	0	621,400	0	621,400

Benefit Costs

Includes \$2,075 per position or a 29% increase in employer-paid health insurance premiums (from \$7,125 to \$9,200 per year). Also includes funding to increase the employer retirement contribution rate by .61% of salary (from 10.39% to 11% for regular employees and from 10.73% to 11.34% for police and firefighters).

Agency Request	0.00	0	10,300	0	10,300
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The Governor recommends funding the employer increase in health insurance, and does not remove the funding for their PERSI rate increase that was included in the request. Recently, the PERSI Board voted not to increase the contribution rate for the upcoming fiscal year.

<i>Governor's Recommendation</i>	0.00	0	10,300	0	10,300
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Inflationary Adjustments

The agency is not requesting an inflationary increase in operating expenditures this year.

Agency Request	0.00	0	0	0	0
<i>Governor's Recommendation</i>	0.00	0	0	0	0

Replacement Items

Provides \$5,000 for a computer server and \$1,500 each for two personal computers.

Agency Request	0.00	0	8,000	0	8,000
<i>Governor's Recommendation</i>	0.00	0	8,000	0	8,000

Statewide Cost Allocation

This decision unit includes adjustments for services provided by state agencies as follow: \$3,900 for State Controller fees, \$200 for property and casualty insurance premiums, and a reduction of \$30,800 for Attorney General fees for a total reduction of \$26,700.

Agency Request	0.00	0	(26,700)	0	(26,700)
<i>Governor's Recommendation</i>	0.00	0	(26,700)	0	(26,700)

Change in Employee Compensation

Reflects the calculated cost of a 1% salary increase of \$3,600 for permanent postions.

Agency Request	0.00	0	3,600	0	3,600
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The Governor recommends a compensation increase of 5% to be distributed based on merit.

<i>Governor's Recommendation</i>	0.00	0	18,000	0	18,000
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FY 2009 Program Maintenance					
Agency Request	4.00	0	616,600	0	616,600
<i>Governor's Recommendation</i>	4.00	0	631,000	0	631,000

1. Adjust Budget between Funds

This is a fund shift of \$14,200 from the Endowment Administrative Fund to the Miscellaneous Revenue Fund. The shift is calculated annually based on the proportion of time spent on the various portfolios.

Agency Request	0.00	0	0	0	0
<i>Recommended.</i>					

<i>Governor's Recommendation</i>	0.00	0	0	0	0
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Endowment Fund Investment Board

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
2. Continuous Appropriation					
<p>The Endowment Fund Investment Board requests a continuous appropriation for consulting fees, bank custodial fees, and portfolio-related external costs. The variable costs associated with these services depend on the size of the portfolio and the turnover of investments. This uncertainty makes budgeting difficult. Legislative intent included in the appropriation bill allows the Legislature to re-evaluate the need for a continuous appropriation on an annual basis and to consider a fixed appropriation should the costs be determined to be more predictable. Actual costs paid through the continuous appropriation for FY 2001 were \$1,327,421 (the first full-year after endowment reform), \$3,215,995 for FY 2002, \$2,528,072 for FY 2003, \$2,178,500 for FY 2004, \$2,603,623 for FY 2005, \$3,832,942 for FY 2006, and \$3,861,545 for FY 2007.</p> <p>Language Requested: The Endowment Fund Investment Board is hereby granted continuous appropriation authority for consulting fees, bank custodial fees, and portfolio-related external costs for the period July 1, 2008, through June 30, 2009.</p>					
Agency Request	0.00	0	0	0	0
<i>Recommended.</i>					
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
FY 2009 Total					
Agency Request	4.00	0	616,600	0	616,600
<i>Governor's Recommendation</i>	<i>4.00</i>	<i>0</i>	<i>631,000</i>	<i>0</i>	<i>631,000</i>
Agency Request					
Change from Original App	0.00	0	(22,800)	0	(22,800)
% Change from Original App	0.0%		(3.6%)		(3.6%)
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>0.00</i>	<i>0</i>	<i>(8,400)</i>	<i>0</i>	<i>(8,400)</i>
<i>% Change from Original App</i>	<i>0.0%</i>		<i>(1.3%)</i>		<i>(1.3%)</i>